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February 21, 2013

Senate Energy and Telecommunications Committee
Montana Senate
P.O. Box 200500
Helena, MT 59620-05

RE: PLEASE SUPPORT SENATE BILL 308

Mid-Rivers appreciates Senator Olson's work on this legislation, which we feel is needed to address an issue of critical importance for companies like ours and the Montana customers we serve.

Mid-Rivers Communications is a telecommunications cooperative serving 30,000 square miles of Eastern and Central Montana, including some of the most rural and remote areas of the State. We have been in the business of providing telecommunications services since 1952 – for 61 years. We have 175 Montana employees who live and breathe the telecommunications business every day. Constructing, operating and maintaining telecommunications network infrastructure – the physical copper, fiber and wireless facilities that carry voice and data communications – is what we do, and we believe we do it well. Our mission every day is to provide the best communications services to our members at the most affordable rates possible.

To build, operate and maintain telecommunications network infrastructure is not cheap, it is not simple, and the costs do not go away when the initial construction is complete. Fiber, microwave, cellular and other types of physical telecommunications networks are very complex and require substantial long-term investments. The components of today's telecommunications networks are extremely expensive, and they become obsolete and unreliable very quickly without the proper maintenance and upgrades.

Building and operating reliable, sustainable network infrastructure that brings Internet and telephone services to many of your homes is especially difficult in rural areas. Sparse populations and low customer density make it very challenging to build broadband-capable facilities to every subscriber in the remote corners of our service area while keeping rates affordable for our customers. The average subscriber density in the Mid-Rivers service area is less than one person per square mile. It is very challenging to build broadband-capable facilities to every subscriber in the remote corners of places like Musselshell or Garfield County while keeping rates affordable for our customers. Our business model depends upon the ability to spread these costs over a larger subscriber base by also serving more populated areas where there are anchor tenant customers like community colleges, schools, hospitals and large businesses.

Mid-Rivers

COMMUNICATIONS



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Mid-Rivers has invested substantially in our network infrastructure to make sure that we can provide the services that these institutions need, including fiber transport services capable of moving massive amounts of data at high rates of speed. As you can see on the attached network map, the Mid-Rivers fiber network can transport data on fiber connections from Eastern Montana communities all the way to Billings. The fiber ring infrastructure on that map is a state of the art self-healing, fully redundant facility that is in place today.

We have also worked hard in recent years to price the services we can offer on this network very competitively, removing financial incentives for our large customers to consider building their own fiber infrastructure. Unfortunately, however, when one-time Federal grant dollars become available to build fiber, and capacity on that fiber is offered to a wider and wider group of our anchor tenants, it becomes impossible for us to compete with those networks.

The concerns that MITS and MTA will present to you at today's hearing are very real. The University fiber network funded in part with Federal grant dollars is now providing Internet services to two of our largest anchor tenants. Mid-Rivers has made several attempts to provide proposals to utilize our fiber facilities to connect some of our anchor tenants at established points of connection to the University System in Billings. We didn't receive a response to these proposals and the University System continued to purchase fiber optic equipment to establish a point of connection in Miles City. They also constructed a significant amount of fiber cable facilities from their new point of connection to the Miles City State Data Center, resulting in another leg of the university fiber network in Miles City that will offer a grant-funded alternative for many of our anchor customers in that community, duplicating our existing transport services to Billings. Our customers are trading our services for services on grant-funded networks, and it comes at a real cost to our company and our ability to serve our remaining customers.

For the last several years, Mid-Rivers has worked directly with representatives from Interoperability Montana (IM), the University of Montana, and the State's Information Technology department, providing countless price quotes, engineering designs, and technical assistance with the goal of encouraging meaningful public-private partnerships. It was clear that each of these publicly-funded entities had plans to spend millions of Federal grant dollars on communications networks that would duplicate facilities we already had in place, and despite our best efforts to work with them to leverage our existing networks this duplication is exactly what has happened. IM has spent \$60 Million building microwave towers that in places are feet away from Mid-Rivers fiber or tower facilities. The University System has spent millions extending the reach of their fiber networks into our local communities, following the same routes as the Mid-Rivers fiber network you see on the attached map. They have also now offered the use of those fiber facilities to State Government, and encouraged the State to offer those facilities to other entities.

These entities chose to ignore the vast majority of proposals we presented to them, choosing instead to build their own fiber along the same transport routes we had proposed, and then providing Internet services to our two community colleges. They are now extending the reach of this public network even deeper into our communities, gradually chipping away at the services we provide and free to "cream-

skim" other anchor tenants unless the limitations contained in Senate Bill 308 are enacted. If these public networks continue to "cream-skim" our local anchor tenants, and Mid-Rivers can no longer support our network, then the taxpayers are funding a network that will ultimately reduce the level of communications services available to them at their homes and businesses. When grant dollars run out, these entities will have no choice but to offer additional commercial services and will use these networks that were built with public dollars to compete with us.

The bottom line is that these entities have not shown any indication that they plan to limit the use of their grant-funded networks or begin partnering with us to leverage existing facilities, and that is why we are here today. The intent of Senate Bill 308 is not to force State or County Governments or Universities to tear down any connections they have in place or to disrupt the way they communicate with each other today. We are simply asking for true public-private partnerships, which we understand will take work on both our parts. We are asking that Montana recognize the importance of leaving the building of these telecommunications networks to those of us that have been doing it for decades, and of leveraging our existing communications resources for the benefit of all Montanans. We do not have the customer base in Montana, and certainly not in Eastern Montana, to support multiple state-of-the-art communications networks.

We understand that we may not have connections in place today that meet the State's every need, but there are large portions of these networks that can very effectively and appropriately be handled by the telecom providers. Let us plow a couple miles of fiber to get you where you need to be, rather than building an entirely new microwave network. Let us maintain those networks for you so the State can focus on providing government services and the Universities can educate. Let us be represented on your Advisory Boards so providers have a seat at the table and can offer existing resources. Our goal is for the State to be our partner and our customer, not our competitor.

We have no problem with the Universities connecting with a nationwide research network on fiber that runs from Seattle to Chicago, but when they start building additional points of connection extending their fiber transport network to communities throughout Montana, then it is a problem for all Montanans. Our networks are built and operated locally and support rural area main street jobs in places like Circle and Roundup. We pay a substantial amount of property taxes every year based on the value of the network facilities in the ground and on our towers. Any possible short-term cost savings to the State is not worth the negative impacts on our local communities.

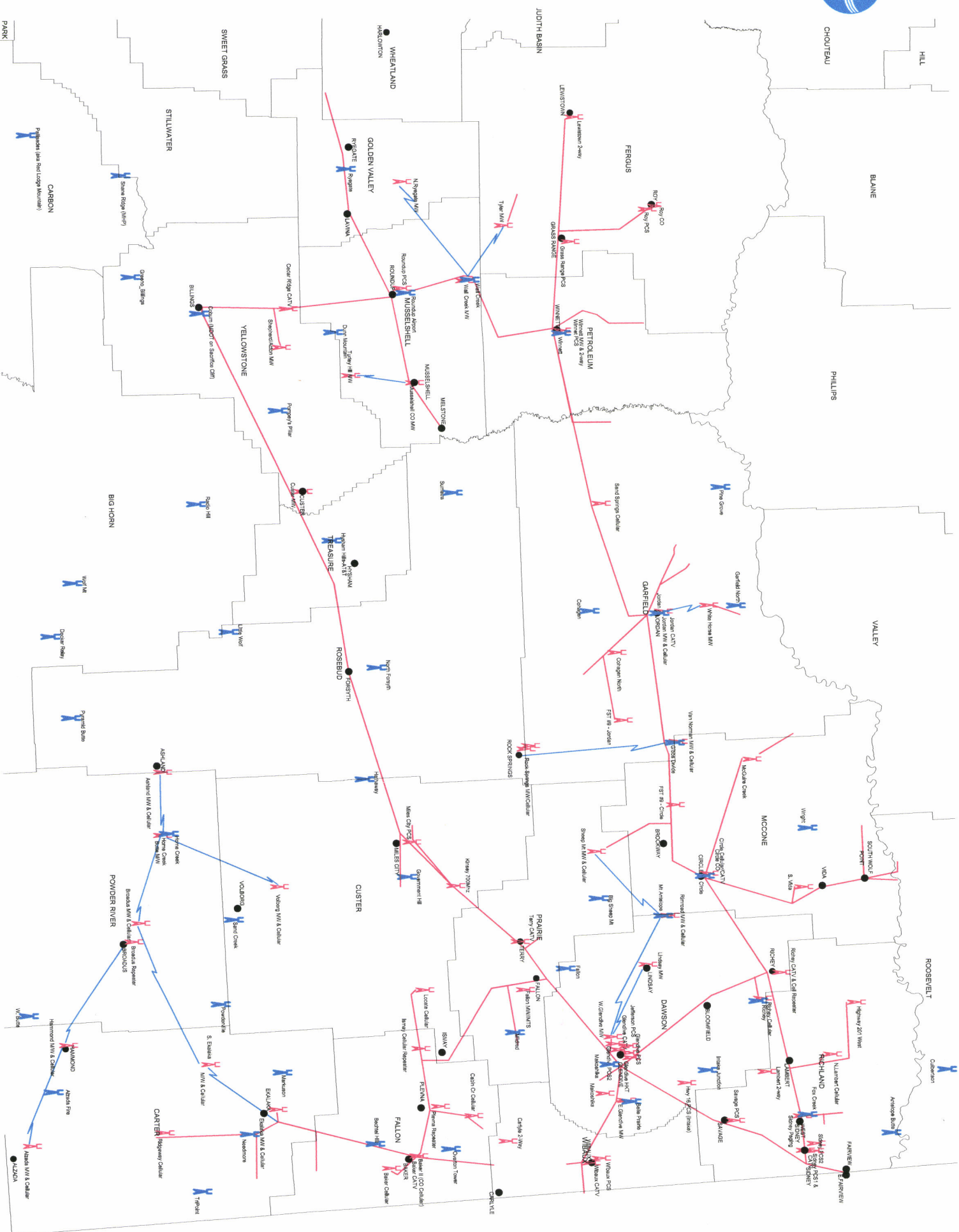
There are a number of examples of failed networks in Montana. The Interoperability Montana radio project is a recent example of a network constructed with public dollars but without sufficient financial resources to operate the facilities once they were constructed. While it may seem cost-effective upfront to build these duplicative networks with grant funding, it is not a long-term solution for Montana. State networks viewed as assets today may become liabilities to the taxpayers when grant funding to support them runs out.

What Montana needs is one strong, solid reliable network that makes the most of our limited resources, not multiple inferior and unsustainable networks. We are willing to work toward that goal, and we ask you to call for our State agencies to do the same by passing Senate Bill 308. On behalf of our 18,000 Montana member-owners, I strongly urge you to support Senate Bill 308.

A handwritten signature in blue ink, appearing to read "Bill Wade".

BILL WADE
General Manager

Attachment



Mid-Rivers Video Conferencing Network

